

# Corporate Governance Report

Last Update: November 30, 2022

Seiko Epson Corporation

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<https://corporate.epson/en/>

The corporate governance of Seiko Epson Corporation (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

The general principles of corporate governance at Epson are as follows:

- Respect the rights of shareholders, and secure equality.
- Keeping the interests of shareholders, customers, communities, business partners, employees and other stakeholders in mind, work in an appropriately cooperative manner with them.
- Disclose company information as appropriate and ensure transparency.
- Directors, Executive Officers, and Special Audit & Supervisory Officers shall be aware of their fiduciary responsibilities and shall fulfill the roles and responsibilities expected of them.
- Epson shall engage in constructive dialogue with shareholders.

To achieve the goals declared in Epson’s Management Philosophy, promote sustainable growth, and increase corporate value over the medium and long terms, Epson strives to continuously enhance and strengthen corporate governance so as to realize transparent, fair, fast, and decisive decision-making. Operating as a company with an Audit & Supervisory Committee, Seiko Epson will further improve the supervisory function of the Board of Directors, enhance discussions at Board of Directors meetings, speed up management decision-making, and further increase the effectiveness of corporate governance.

The general principles and policies regarding corporate governance at Epson are summarized in “Corporate Governance Policy,” which is available for viewing on the corporate website.

([https://corporate.epson/en/sustainability/governance/pdf/epson\\_governance\\_policy\\_e.pdf](https://corporate.epson/en/sustainability/governance/pdf/epson_governance_policy_e.pdf))

### **Reasons for Non-compliance with the Principles of the Corporate Governance Code**

Epson continuously strives to enhance and strengthen its corporate governance based on the foregoing policy and has implemented all the principles in the Corporate Governance Code after it was revised in June 2021.

### **Disclosure Based on the Principles of the Corporate Governance Code**

#### **Principle 1.4**

For the policy on cross-shareholdings, please see Article 5 in Epson’s Corporate Governance Policy. Individual cross-shareholdings in the Epson Group (as of the end of March 2022) were analyzed by the Board of Directors in April 2022 based on Epson’s compliance assessment criteria to determine the

purpose of these cross-shareholdings and their associated risks and benefits. Epson is moving toward reducing those cross-shareholdings that were found to be non-essential. Please see Article 6 in the Corporate Governance Policy for Epson's standards for exercising voting rights for cross-shareholdings.

### **Principle 1.7**

Please see Article 8 in the Corporate Governance Policy for procedures relating to transactions with related parties.

### **Supplementary Principles 2.4.1**

[Our policies for ensuring diversity in the promotion to core human resources]

Please see Article 11 in the Corporate Governance Policy for our policies for ensuring diversity.

[Our measurable goals and their status for the promotion of women to core human resources]

In 1983, Seiko Epson eliminated the gender pay gap and has sought to enable employees to enjoy a good work-life balance by providing leaves of absence, shorter workdays for women with young children, and financial assistance to help cover babysitter expenses. These and other actions have met with some success, as women stay with the company longer than men, on average.

However, there is still a gender gap when it comes to promotion to management and other leadership positions in Japan. Seiko Epson recognizes this as an issue and is taking additional action to support the advancement of more women in the workplace.

We will take action to ensure that female employees can take an increasingly active part in our company going forward. At the end of FY2021, women accounted for 3.7% (31 persons) of employees with management responsibilities and 6.7% (318 persons) of the leader class (equivalent to assistant managers). Specific efforts we are making include aiming to raise those numbers to 5% (40 persons) and 7% (350 persons) respectively and expanding the scope of candidates so we can increase the number of female employees with management responsibilities in future.

For details, see "Diversity, Equity and Inclusion" at our website.

(<https://corporate.epson/en/sustainability/our-people/diversity/>)

[Our measurable goals and their status for the promotion of foreign nationals to core human resources]

Epson has sites around the world to accurately identify and swiftly and flexibly meet the changing needs of customers in different regions. The Epson Group currently employs about 80,000 people.

Epson is vertically integrated, which means we have control over the value chain. A high-performing, diverse workforce is essential for achieving vertical integration, making it vital for our operations divisions in Japan and Epson Group companies overseas to be on the same page in terms of business vision and policies. That is why we have a variety of international programs to promote communication and interaction among people at various levels within our operations divisions, Head Office, and other internal organizations.

For details, see "Diversity, Equity and Inclusion" at our website.

(<https://corporate.epson/en/sustainability/our-people/diversity/>)

Thus, Seiko Epson and the entire Epson Group are developing business processes globally and establishing environments and systems whereby diverse personnel can play an active role regardless of nationality, race, and the like. For that reason, we have not at this time established any voluntary and measurable targets for the percentage of employees with management responsibilities who are non-Japanese at Seiko Epson. Going forward, we will continually consider the necessity of setting such targets to ensure further diversity.

[Our measurable goals and their status for the promotion of midcareer hires to core human resources]

Midcareer hires account for a greater percentage of employees with management responsibilities than they do of employees overall, as we have been actively appointing people with a wide range of career

backgrounds to core positions. We have not at this time established any voluntary and measurable targets for this, but we will continually discuss and consider ways to ensure greater diversity.

[Our policies and implementation for human resource development and internal environment development to ensure diversity]

See “Diversity, Equity and Inclusion” at our website for information about our human resources development policies and internal environment development policies to ensure diversity and for information about the status of those efforts.

(<https://corporate.epson/en/sustainability/our-people/diversity/>)

We have not at this time established any human resources development policies or internal environment development policies for mid-career hires, but we will be considering policies and measures on such matters as enabling more diverse work styles in order to acquire diverse human resources.

### **Principle 2.6**

As stated in Article 13 of the Corporate Governance Policy, the Seiko Epson Corporate Pension Fund manages the Company’s corporate pension reserves. The Company has adopted a funded corporate pension plan to help assure the appropriate management of conflicts of interest between the Company and corporate pension beneficiaries, and it has worked with the corporate pension fund and labor union to build a system for monitoring and supervising the management of the corporate pension.

The Company systematically promotes and assigns qualified individuals to manage the corporate pension fund and provides them with ongoing educational opportunities so that they can increase their professional knowledge of corporate pension fund management and fulfill the functions expected of them as asset owners.

In March 2021, the Corporate Pension Fund announced that it would support and accept the purpose of the Japanese Stewardship Code as an “institutional investor as an asset owner.” The Fund, since it does not directly engage in stewardship activities, including exercising voting rights, requires institutional investors who manage assets to fulfill its stewardship responsibilities by improving and fostering the investee companies’ corporate value and sustainable growth through constructive engagement or purposeful dialogue.

### **Principle 3.1**

(1) The Company’s management philosophy is shared with the public. The Company has also shared the Epson 25 Renewed Corporate Vision, which includes a mid-range business plan. Details are provided on the Company’s corporate website.

Management Philosophy:

(<https://corporate.epson/en/philosophy/epson-way/management-philosophy.html>)

Epson 25 Renewed Corporate Vision (includes Mid-Range Business Plan):

(<https://corporate.epson/en/philosophy/vision/>)

(2) The Company’s basic principles and policies regarding corporate governance are set forth in the Corporate Governance Policy, which is available on the corporate website.

([https://corporate.epson/en/sustainability/governance/pdf/epson\\_governance\\_policy\\_e.pdf](https://corporate.epson/en/sustainability/governance/pdf/epson_governance_policy_e.pdf))

(3) The policies and procedures that the Board of Directors follows when deciding Director compensation are stated in “Policy on Determining and Calculating Compensation” under II 1. “Director Compensation” in this Report.

(4) The policies and procedures that the Board of Directors follows when nominating Director candidates and dismissing Officers are stated in Article 24 of the Corporate Governance Policy.

(5) The reasons for the selection of Directors who were selected at the General Meeting of Shareholders held on June 28, 2022, are stated in the convocation notice of the 80th Ordinary General Meeting of Shareholders. ([https://corporate.epson/en/investors/information/pdf/notice\\_220527.pdf](https://corporate.epson/en/investors/information/pdf/notice_220527.pdf))

### **Supplementary Principles 3.1.3**

[Our initiatives on sustainability]

For details on the Company's sustainability, see "Implementation of Environmental Activities, CSR Activities etc." in "III. 3. Measuresto Ensure Due Respect for Stakeholders" in this report. The Company's Board of Directors reviewed and discussed sustainability initiatives at the board meetings held in July 2021 and April 2022. The Board of Directors found that the Company's sustainability activities, activity progress monitoring, and improvement initiatives are being conducted properly.

[Information on investments in human capital and intellectual property]

Investments in human capital and intellectual property are disclosed in the Company's Epson 25Renewed Corporate Vision (includes Mid-Range Business Plan).

(<https://corporate.epson/en/philosophy/vision/>)

Also see "Proactive Intellectual Property Activities" on our website for information about how we are investing in intellectual property.

(<https://corporate.epson/en/technology/intellectual-property/>)

The Board of Directors discussed the intellectual property strategy at the Board meeting of February 2022 and found that the Company's IP landscaping, branding support, and integration of the business strategy and intellectual property strategy are being conducted properly.

[The impact of climate change-related risks and earning opportunities on our business activities and profits]

For details, see "Responding to TCFD Recommendations" at our "Sustainability" website.

(<https://corporate.epson/en/sustainability/initiatives/tcf.html>)

### **Supplementary Principles 4.1.1**

A summary of the scope of matters delegated to the management is provided in Article 16 of the Corporate Governance Policy.

### **Supplementary Principles 4.1.3**

The Company's Director Nomination Committee, which is composed primarily of Outside Directors, discusses enhancements to succession plans and the Director appointment process, reviews the roadmap, selects Director candidates, establishes and implements development plans, and reviews the process for evaluating, narrowing down, and replacing candidates.

The Company selects candidates for senior management positions in order to systematically develop these individual as future executives. After their development is assessed, the HR Development Strategy Council, an advisory body to the President, devises and implements a concrete development plan. The state of development and issues are reported to the Director Nomination Committee, and development activities are further enhanced under the supervision and advice of the Outside Directors. Candidates to succeed the President are identified through the aforesaid process and developed by appointing them to key management roles and by providing them with other essential training opportunities.

### **Principle 4.9**

The criteria for judging the independence of Outside Directors are described in "Matters relating to Independent Directors" under II. 1. Independent Directors in this report. The criteria are also listed in Appendix 2 to the Corporate Governance Policy.

### **Supplementary Principles 4.10.1**

For details, see "Supplementary Explanation" under "II. 1. Organizational Composition and Operation, Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation

Committee.”

### **Supplementary Principles 4.11.1**

As stipulated in Article 18 of the Corporate Governance Policy, the Company believes that a diverse Board of Directors is useful for facilitating substantive board discussions that cover all angles. Therefore, the Company has a fundamental policy of assembling a Board of Directors that is well-balanced and composed of persons who combine a broad spectrum of knowledge, experience, and skill, without regard to things such as gender, race, ethnicity, nationality, cultural background, or age. The current Board of Directors reflects this policy and has articulated a management organization for realizing the Management Philosophy and corporate vision so as to enable the Company to achieve sustainable growth and improve corporate value over the medium to long term.

Please see the Notice of the 80th Ordinary General Meeting of Shareholders for information about the areas and skills where there are particularly high expectations for Directors.

([https://corporate.epson/en/investors/information/pdf/notice\\_220527.pdf](https://corporate.epson/en/investors/information/pdf/notice_220527.pdf))

### **Supplementary Principles 4.11.2**

Epson Officers who concurrently serve on the boards of other publicly listed companies shall keep the number to within reasonable limits based on Article 21 of the Corporate Governance Policy. As a general rule, Outside Directors in particular shall not concurrently serve as either a Director or a *Kansayaku* of more than three publicly listed companies other than Epson per the bylaws established by resolution of the Board of Directors. Per Epson policy, Directors shall attend at least 75% of the meetings of the Board of Directors per year.

Epson discloses information about Directors who hold important concurrent positions at other companies every year in the reference materials provided along with the notices of Ordinary General Meetings of Shareholders as well as in other business reports.

([https://corporate.epson/en/investors/information/pdf/notice\\_220527.pdf](https://corporate.epson/en/investors/information/pdf/notice_220527.pdf))

Information about Outside Directors who held important concurrent positions at other companies is provided in “Outside Directors’ Relationship with the Company (2)” under II. 1. Directors.

### **Supplementary Principles 4.11.3**

#### **1. Overview of efforts to evaluate the effectiveness of the Board of Directors**

The Board of Directors of the Company analyzes and evaluates the effectiveness of the entire Board of Directors every year based on Article 19 of the Corporate Governance Policy.

#### Evaluating the effectiveness of the Board of Directors (general principles)

When evaluation is performed: February to March

When evaluation results are analyzed and issues are selected: April to May

Disclosure of issues in a Corporate Governance Report: June

Interim report to the Board of Directors (regarding actions taken to resolve issues): October

Final report to the Board of Directors (regarding action take to resolve issues): February of the following year

Disclosure in a Corporate Governance Report of the results of actions taken to resolve issues: June of the following year

#### **2. Board of Directors effectiveness evaluation for the 2020 fiscal year**

The results of actions taken to address issues that were raised when the effectiveness of the Board of Directors was evaluated for the 2020 fiscal year are provided below. The effectiveness of the Board of Directors in the 2020 fiscal year was evaluated by having all Board members complete a questionnaire. The questionnaire results showed that the Board of Directors is functioning effectively.

##### **(1) Promoting diversity initiatives**

The Board conducted numerical improvement simulations up to the goal of promoting women in the

workplace and revised the targets leading to the goal. Issues in the Company were found to fall under the categories of unconscious bias, long working hours, insufficient growth opportunities, and a small number of women in the workforce. The Board focused its efforts on resolving these issues, regularly discussing them at the Board meetings during the 2021 fiscal year. The direction in which to steer actions to promote the participation and advancement of women was thus clarified, an owner was appointed from each operations division and division, and activities commenced in each organization. The Board will continue to collaborate with the operations divisions and divisions to promote the participation and advancement of women in the workplace primarily through a special project team called the Diversity and Inclusion Project.

Moving forward, the Board will also advance other diversity-related initiatives to hire foreign nationals and mid-career workers and to hire more persons with disabilities. For details, see “Diversity, Equity and Inclusion” at our website. (<https://corporate.epson/en/sustainability/our-people/diversity/>)

#### (2) Promoting DX initiatives

The Board of Directors formulated, planned, and drove DX strategy to achieve the DX initiatives in Epson 25 Renewed (initiatives to contribute to customer success by building a robust digital platform, connecting people, things, and information, and co-creating solutions that continue to meet customer needs). They examined issues in the Company, organized the degree of evolution of DX from a customer perspective and an employee perspective, and have been improving the infrastructure. Moving forward, they will address the priority issue of capturing the necessary DX and IT talent. Time is regularly set aside at Board meetings to discuss DX, and the Board has discussed the direction and method of promoting DX, but given that DX forms the core of the Epson 25 Renewed corporate vision and that work in this area needs to be further strengthened, the Board decided to pursue the actions described in 3. below as one of the issues in Board effectiveness evaluations.

### 3. Board of Directors effectiveness evaluation for the 2021 fiscal year

Board effectiveness in the 2021 fiscal year was evaluated by again having all Board members complete a questionnaire that covered the topics below, and then analyzing and evaluating effectiveness based on the answers.

- (1) Composition, functioning, and operation of the Board of Directors
- (2) Functions of the Audit & Supervisory Committee
- (3) Functions and operations of advisory bodies to the Board
- (4) Evaluation, compensation, succession planning, and training of the management team
- (5) Dialogue with shareholders
- (6) Other

The results of the evaluation showed that the Board of Directors as a whole is functioning effectively. However, given recent trends in corporate governance and the results of the 2020 fiscal year effectiveness evaluation of the Board, the Board identified the following issues in order to improve effectiveness in the future.

- (1) Set aside more opportunities to discuss progress and issues related to the environment, DX, and co-creation to accelerate the realization of Epson 25 Renewed.
- (2) Deepen discussions on succession plans and training of the management team and drive further improvement.

\* An evaluation by a third-party organization was not conducted because it is the Company’s policy to implement them once every three years

In the future, we will work to further improve effectiveness by addressing these issues.

### Supplementary Principles 4.14.2

Information about the Director training policy is provided in Article 30 of the Corporate Governance Policy.

### Principle 5.1

The Company's policy regarding constructive dialog with shareholders is provided in Appendix 1 of the Corporate Governance Policy.

## 2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
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### Status of Major Shareholders

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	78,047,300	22.54
Custody Bank of Japan, Ltd. (Trust Account)	25,447,000	7.35
Sanko Kigyo Kabushiki Kaisha	20,000,000	5.77
Seiko Holdings Corporation	12,000,000	3.46
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account	8,153,800	2.35
Epson Group Employees' Shareholding Association	7,421,350	2.14
Mikiko Kidosaki	6,855,302	1.98
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	6,285,800	1.81
Dai-ichi Life Insurance Company, Limited	6,115,200	1.76
State Street Bank West Client – Treaty 505234	4,686,577	1.35

Controlling Shareholder (except for Parent Company)	-----
Parent Company	None

### Supplementary Explanation

1. Information about major shareholders is current as of March 31, 2022.
2. Although the Company holds 53,445,399 treasury shares, the Company is excluded from the above list of major shareholders. The shareholding ratio is calculated after deducting treasury shares. Treasury shares do not include the Company's shares (170,607 shares) owned by the Officer compensation BIP Trust.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Prime Market
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	\1 trillion or more

Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	50 or more and fewer than 100
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**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Supervisory Committee
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#### Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	14
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Company Chairperson (except if the President as serves as the chairperson)
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Directors	5

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	C	d	e	f	g	h	i	j	k	
Hideaki Omiya	From another company												
Mari Matsunaga	From another company												
Yoshio Shirai	From another company												
Susumu Murakoshi	Lawyer												
Michiko Ohtsuka	CPA												

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-Executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f)(the director himself/herself only)

i. Executive of a company, between which and the Company Outside Directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hideaki Omiya		○	<p><b>Important concurrent positions held at other companies</b>            Senior Executive Adviser, Mitsubishi Heavy Industries, Ltd.            Outside Director, Nomura Research Institute, Ltd</p>	<p><b>Reason for nominating Hideaki Omiya as an Outside Director</b>            Mr. Omiya has served as a President and CEO and a Chairman of the Board of Mitsubishi Heavy Industries, Ltd. and has a wealth of experience and insight as a corporate executive and engineer.            He has monitored corporate management by expressing opinions actively including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the heavy industry, a different business field.            We have nominated him as a candidate for independent Outside Director with the expectation that he will utilize his wealth of experience and insight to monitor corporate management appropriately in order to achieve sustainable growth and improve the Company's corporate value over the medium and long terms.</p> <p><b>Independence of duties</b>            Mr. Omiya was involved in business affairs at Mitsubishi Heavy Industries, Ltd. The Company has had no transactions with Mitsubishi Heavy Industries, Ltd. in the past three years.            He owns a very small number of shares in the Company, and there are no human, capital, business or other interests between him and the Company.</p>

				The Company has registered Mr. Omiya as an Independent Director with the Tokyo Stock Exchange.
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Mari Matsunaga		○	<p><b>Important concurrent positions held at other companies</b></p> <p>-----</p>	<p><b>Reason for nominating Mari Matsunaga as an Outside Director</b></p> <p>Ms. Matsunaga has created new business models and has a wealth of experience and considerable insight through her involvement in the management of multiple companies as Outside Officers. She has effectively monitored corporate management by actively speaking out on and proposing solutions to managerial issues, particularly from the viewpoint of promoting open innovation. We have nominated her as a candidate for independent Outside Director with the expectation that she will utilize her wealth of experience and insight to monitor corporate management appropriately in order to achieve sustainable growth and improve the Company's corporate value over the medium and long terms.</p> <p><b>Independence of duties</b></p> <p>The Company has had no transactions with Ms. Matsunaga in the past three years. She owns a very small number of shares in the Company, and there are no human, capital, business or other interests between her and the Company.</p> <p>The Company has registered Ms. Matsunaga as an Independent Director with the Tokyo Stock Exchange.</p>
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Yoshio Shirai	○	○	<p><b>Important concurrent positions held at other companies</b>  Outside Director, Audit &amp; Supervisory Committee member, FujikuraLtd.</p>	<p><b>Reason for nominating Yoshio Shirai as an Outside Director</b>  Mr. Shirai has served as a Director at Toyota Motor Corporation, Hino Motors, Ltd., and Toyota Tsusho Corporation. He has considerable insight, a wealth of experience as a corporate manager, and a track record of achievements as an Outside Director and member of the Company’s Audit &amp; Supervisory Committee. We have nominated him as a candidate for Outside Director and Audit &amp; Supervisory Committee member with the expectation that he will appropriately supervise and contribute to the soundness of the Company’s management so as to achieve sustainable growth and improve the Company’s corporate value over the medium and long terms.</p> <p><b>Independence of duties</b>  The Company has registered Mr. Shirai as an Independent Director with the Tokyo Stock Exchange.</p>
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Susumu Murakoshi	○	○	<p><b>Important concurrent positions held at other companies</b>  Attorney-at-law</p>	<p><b>Reason for nominating Susumu Murakoshi as an Outside Director</b>  Mr. Murakoshi possesses a high level of professional knowledge and insight as an attorney. Given his extensive experience in the legal community, which has included stints as the Chairman of the Japan Federation of Bar Associations and the Chairman of the Political Federation of Japan Patent Attorneys, the Company believes that Mr. Murakoshi can be expected to continue to contribute to the effective supervision and soundness of management so as to help ensure sustained growth and enhance long-term corporate value. Mr. Murakoshi has been appointed</p>
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				<p>as an Outside Director who is an Audit &amp; Supervisory Committee member. He has never been involved in corporate management except as an Outside Officer. However, for the reasons given above, Epson believes that he can appropriately perform his duties as an Outside Director and Audit &amp; Supervisory Committee member.</p> <p><b>Independence of duties</b> The Company has not entered into a consulting agreement, nor has it consigned any business under any individual agreement with Mr. Murakoshi, who is an attorney-at-law, or with the law office to which he belongs.</p> <p>The Company has registered Mr. Murakoshi as an Independent Director with the Tokyo Stock Exchange.</p>
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Michiko Ohtsuka	○	○	<p><b>Important concurrent positions held at other companies</b> Certified Public Accountant</p>	<p><b>Reason for nominating Michiko Ohtsuka as an Outside Director</b> Ms. Ohtsuka possesses a high level of professional knowledge and insight as a certified public accountant. Given that she has experience and considerable insight as an Outside Officer in a public company, the Company believes that Ms. Ohtsuka can be expected to continue to contribute to the effective supervision and soundness of management so as to help ensure sustained growth and enhance long-term corporate value. Ms. Ohtsuka has been appointed as an Outside Director who is an Audit &amp; Supervisory Committee member. She has never been involved in corporate management except as an Outside Officer. However, for the reasons given above, Epson believes that she can appropriately perform her duties</p>
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				<p>as an Outside Director and Audit &amp; Supervisory Committee member.</p> <p><b>Independence of duties</b>  The Company has not entered into a consulting agreement, nor has it consigned any business under any individual agreement with Ms. Ohtsuka who is a certified public accountant, and there is no transactional relationship.</p> <p>The Company has registered Ms. Ohtsuka as an Independent Director with the Tokyo Stock Exchange.</p>
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## Supervisory Committee

### Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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### Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company has set up an Audit & Supervisory Committee Office to assist the Audit & Supervisory Committee in performing its duties. The head of the Audit & Supervisory Committee Office serves as a Special Audit & Supervisory Officer and assigns full-time personnel to the Audit & Supervisory Committee Office. The head and personnel of the Audit & Supervisory Committee Office discharge their duties to assist the Audit & Supervisory Committee, obeying the orders of the Audit & Supervisory Committee alone and not orders from Directors who are not Audit & Supervisory Committee members. Matters relating to the personnel of the Office must be approved in advance by the Audit & Supervisory Committee.

### Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments

To ensure that audits by the Audit & Supervisory Committee are systematic and effective, a framework has been created to secure close cooperation between the internal audit department and others and the Audit & Supervisory Committee. Matters relating to the appointment and dismissal of the head of the internal audit administrative department must be approved in advance by the Audit & Supervisory Committee.

The Audit & Supervisory Committee can ask the Representative Director or the Board of Directors to take corrective action if the Audit & Supervisory Committee recognizes that the structure of the Audit & Supervisory Committee Office and the system of cooperation between the Audit & Supervisory Committee and the internal audit departments and others interfere with the efficacy of audits.

The Company's internal audit department regularly reports audit plans and audit results to the Audit & Supervisory Committee directly. After receiving these reports, the Audit & Supervisory Committee can, when it deems it necessary, call upon the internal audit department to conduct an inquiry and can give specific instructions regarding the execution of those duties. In this way, we ensure the effectiveness of systematic audits by the Audit & Supervisory Committee.

The internal audit department is designated as the cornerstone of the internal control functions that the President and Representative Director and departments responsible for executing business affairs put in place. On the other hand, to ensure the effectiveness and independence of audits conducted by the Audit & Supervisory Committee and internal audit department, when the instructions of the Audit & Supervisory Committee and the President and Representative Director conflict, the President's instructions of the Audit & Supervisory Committee shall take precedence.

The Audit & Supervisory Committee and internal audit department thus strive to actively cooperate, but the Company has set up an Audit & Supervisory Committee Office, which is headed up by a Special Audit & Supervisory Officer, as an organization dedicated to supporting the Audit & Supervisory Committee. The Audit & Supervisory Committee Office is independent from the executive side. It operates under the direct instructions and chain of command of the Audit & Supervisory Committee to provide support to the Audit &

Supervisory Committee.

At the beginning of the fiscal year, the Audit & Supervisory Committee and the financial auditor share risk assessments, confirm the audit plan of the financial auditor, and hold periodic discussions during the period to enhance the effectiveness of the audit. Financial Auditors and the head of the internal audit administrative department can attend Compliance Committee meetings as observers, the Compliance Committee being composed of Outside Directors and Directors who are Audit & Supervisory Committee members.

### Voluntary Establishment of Nomination/Compensation Committee

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Compensation Committee
Committee's Name	Director Nomination Committee	Director Compensation Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	5	5
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Company has established a Director Nomination Committee and a Director Compensation Committee as discretionary deliberative bodies. The Committees, the majority of whose members are Outside Directors, were established to ensure transparency and objectivity regarding selections for and compensation of Directors, Executive Officers and Special Audit & Supervisory Officers. The human resources department is the secretariat.

The outline of each Committee is as follows:

#### Composition and the Policy regarding Independence

As stated in Article 23 of the Corporate Governance Policy, Outside Directors make up a majority of the members of the Director Nomination Committee and Director Compensation Committee and a Chairperson is elected by the Board from among the Outside Directors, to ensure transparency, objectivity, and independence. The committees shall be composed of all the Outside Directors and the President/Representative Director. Directors who are full-time members of the Audit & Supervisory Committee can attend either meeting as observers.

The current members are as follows:

Chairman: Outside Director Hideaki Omiya

Members: Outside Directors, Mari Matsunaga, Yoshio Shirai, Susumu Murakoshi, Michiko Ohtsuka Yasunori Ogawa, President

#### The Mandates, Roles, and Activities of the Director Nomination Committee

As stated in Article 23 of the Corporate Governance Policy, the Company has established a Director Nomination Committee to impartially examine through a transparent and objective process the selection



of Director candidates and the dismissal of Directors as well as to evaluate and supervise the status of Director successor development plans created by the President and Representative Director, the issues therein, and Director succession plans created by the President and Representative Director.

The Committee met 15 times during the period from April 2021 to the June 2022 Ordinary General Meeting of Shareholders. The Committee deliberated on matters including succession plans for the President and Representative Director, policies for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers) and candidate proposals, changes in the Outside Director selection process, and the selection of a Director Nomination Committee chairperson.

### **The Mandates, Roles, and Activities of the Director Compensation Committee**

As stated in Article 23 of the Corporate Governance Policy, the Company has established a Director Compensation Committee to impartially examine through a transparent and objective process proposals and discussions concerning matters such as the compensation system and bylaws for Directors of the Company as well as Directors' individual compensation. The Director Compensation Committee, with a mandate from the Board of Directors, decides the individual compensation of Directors who are not Audit & Supervisory Committee members.

The Committee met 11 times during the period from April 2021 to the June 2022 Ordinary General Meeting of Shareholders. The Committee deliberated on matters including things such as the amount of base compensation and bonuses for each Director, changes to the officer compensation system, changes to the officer compensation decision-making process, selection of the Director Compensation Committee chairperson, compensation of the chairpersons of the Director Nomination Committee and Director Compensation Committee, the performance-based coefficient for stock compensation, and the Company compensation system.

### **Independent Directors**

Number of Independent Directors	5
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Matters relating to Independent Directors
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The Company has designated all Outside Directors who qualify as independent directors or auditors as independent directors or auditors.

### **Criteria for Independence of Outside Directors**

The Company has established the criteria below to objectively determine whether potential Outside Directors are independent.

1. A person is not independent if:
  - (1) The person considers the Company to be a major business partner<sup>1</sup>, or has served as an executive<sup>2</sup> within the past five years in an entity for which the Company is a major business partner;
  - (2) The person is a major business partner<sup>3</sup> of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.
  - (3) The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation<sup>4</sup> (other than compensation as an Officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
  - (4) The person is a major shareholder<sup>5</sup> of the Company or has, within the past five years, been an executive or Audit & Supervisory Board member of an entity that is a major shareholder of the Company;
  - (5) The person is an executive or Audit & Supervisory Board member of an entity in which the Company is currently a major shareholder;
  - (6) The person is a major lender<sup>6</sup> to the Company or has been an executive of a major lender to the Company within the past five years;

- (7) The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;
  - (8) The person has been employed by a leading managing underwriter of the Company within the past five years;
  - (9) The person has received a large donation<sup>7</sup> from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;
  - (10) The person came from an entity that employs someone from the Company as an Outside Director; or
  - (11) A spouse or relative within the second degree of kinship of a person having the interests listed in (1) through (9) above.
2. Even if any of the foregoing criteria apply to a potential Outside Director, the Company can elect that person as an Outside Director if that person satisfies the requirements for Outside Directors set forth in the Companies Act, and the Company deems the person suitable as an Outside Director of the Company in light of his or her personality, knowledge, experience, or other qualifications upon explaining and announcing the reasons thereof.

#### Notes

- 1: A person (usually a supplier) considers the Company to be a major business partner if 2% or more of its consolidated net sales (consolidated revenue) has come from the Company in any fiscal year within the past three years.
- 2: "Executive" means an Executive Officer, Executive Director or Operating Officer, or an employee occupying a senior management position of department manager or higher.
- 3: A person (usually a buyer) is a major business partner if 2% or more of the Company's consolidated revenue has come from that partner in any fiscal year within the past three years.
- 4: "A large sum of money or other forms of compensation" means an average annual amount for the past three years that is:
  - i) no less than 10 million yen for an individual; or
  - ii) no less than 2% of the annual revenues in any fiscal year for a group.
- 5: "Major shareholder" means a shareholder who directly or indirectly holds 10% or more of the voting rights.
- 6: "A major lender" means a financial institution or other major creditor that is indispensable for the Company's financing and on which the Company depends to the extent that it is irreplaceable in any fiscal year within the past three years.
- 7: "Large donation" means a donation whose annual average amount for the past three years exceeds either:
  - i) 10 million yen or
  - ii) 30% of the annual expense of the group, whichever is higher.

## Incentives

Incentive Policies for Directors	Introduction of Performance-linked Remuneration Scheme
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Supplementary Explanation

For details, please see "Policy on Determining and Calculating Compensation" under II 1. "Director Compensation" in this Report.

Recipients of Stock Options

Supplementary Explanation

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## Director Compensation

Disclosure of Individual Directors' Compensation	Disclosure for Selected Directors
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Supplementary Explanation

Compensation of Directors in the fiscal year ending March 31, 2022 is as follows.

- The nine Directors who are not Audit & Supervisory Committee members received compensation totaling ¥369 million, including ¥276 million in base compensation (including ¥264 million in fixed compensation and ¥11 million in variable compensation), ¥64 million in bonuses, and ¥29 million in stock compensation.  
(This includes two Outside Directors who received compensation totaling ¥29 million, consisting of ¥29 million in base compensation.)
- The five Directors who are Audit & Supervisory Committee members received compensation totaling ¥81 million, consisting of ¥81 million in base compensation.  
(This includes three Outside Directors who received compensation totaling ¥48 million, consisting of ¥48 million in base compensation.)

### Notes

1. The Company has introduced an officers' shareholding association system to link compensation more closely to shareholder value. A portion of the base compensation is discretionally allotted for the acquisition of the Company's shares. The Company has established the criteria for shareholding by its officers based on internal regulations defined by the Board of Directors to demonstrate its commitment to and responsibilities for the management to all shareholders.
2. The amount above includes bonuses to be paid to Directors in the amount of 76 million yen (amount to be paid to five Directors, excluding the Chairman and Director without the right of representation, Outside Directors, and Directors who are Audit & Supervisory Committee members), subject to the approval of the proposal concerning the payment of bonuses to Directors to be proposed at the Ordinary General Meeting of Shareholders scheduled for June 28, 2022.
3. The Company introduced a performance-linked stock compensation plan (stock compensation) by employing a framework referred to as the officer compensation BIP (Board Incentive Plan) trust, for the purpose of showing its commitment to promoting sustainable growth and increasing its medium to long-term corporate value, in addition to strengthening the sense of sharing common interests with its shareholders. The stock compensation stated above represents the amount recorded based on Japanese

Generally Accepted Accounting Principles (JGAAP) concerning the stock delivery points granted in the current fiscal year. No additional contribution will be made to the officer compensation BIP in the future, and the intent is for the plan to terminate upon the completion of the delivery and payment pertaining to the points already granted of the Company’s common shares and the cash equivalent to an amount obtained through the conversion of the Company’s common shares into cash.

4. The number of individuals above includes two Directors who were not Audit & Supervisory Committeemembers and one Director who was an Audit & Supervisory Committee member who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2021 and one Director who was not an Audit & Supervisory Committee member who retired on January 31, 2022.
5. Stock options are not granted.

Policy on Determining and Calculating Compensation	Established
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#### Disclosure of Policy on Determining and Calculating Compensation

The Company revised the officer compensation system pursuant to a resolution by the Board of Directors on April 28 and May 19, 2022, and resolution by shareholders at the Ordinary General Meeting of Shareholders of June 28, 2022. The new system will start from the 2022 fiscal year (restricted stock compensation from June 28, 2022). The compensation to be paid in the 2021 fiscal year was determined in accordance with the old system. The information below concerns the new system, but the main differences from the old system are that the new system has a fixed base compensation, restricted stock compensation, different evaluation metrics for officer bonuses.

Compensation for Directors who are not Audit & Supervisory Committee members is decided by resolution of the Ordinary General Meeting of Shareholders and the Board of Directors, and compensation for Directors who are Audit & Supervisory Committee members is decided by resolution of the Ordinary General Meeting of Shareholders and by the discussion of the Audit & Supervisory Committee members after a fair, transparent, and rigorous review by the Director Compensation Committee, which is chaired by an Outside Director, is composed of a majority of Outside Directors, and reports its opinion, to ensure transparency and objectivity.

With regard to the compensation of Directors who are not Audit & Supervisory Committee members, the Audit & Supervisory Committee will share and discuss the matters confirmed by the Director Compensation Committee and confirm whether there are matters that should be stated at the Ordinary General Meeting of Shareholders.

The compensation of Directors who are not Audit & Supervisory Committee members was formerly decided by the President and Representative Director, who was vested with full discretionary authority by the Board of Directors and who based the decision on information that was deliberated and approved by the Director Compensation Committee. However, the Corporate Governance Policy was amended by resolution of the Board of Directors on February 25, 2022 to enhance and strengthen corporate governance, and it currently gives full discretionary authority for deciding compensation of Directors who are not Audit & Supervisory Committee members to the Director Compensation Committee.

An overview of the Director Compensation Committee is as follows.

For details, such as the mandates and roles of the Director Compensation Committee, see “Supplementary Explanation” under “II. 1. Organizational Composition and Operation, Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee.”

#### **Policies**

##### **(1) Decision-making policies, etc. on compensation for individual Directors who are not Audit & Supervisory Committee members**

The Company has established its decision-making policies on compensation for individual Directors who are not Audit & Supervisory Committee members.

### Method of determining the decision-making policies

Decision-making policies are deliberated by the Director Compensation Committee, which is chaired by an Outside Director, is composed of a majority of Outside Directors, and decided by the Board of Directors.

### Outline of contents of the decision-making policies

#### (1) Basic stance

The Company's officer compensation shall consist of base compensation, which is fixed compensation, bonuses, which are performance-linked compensation, and stock compensation, which is non-monetary compensation. Given their role of monitoring management as a whole from a position that is independent from the execution of business affairs, Officers who do not have executive duties receive only base compensation and do not receive bonuses or stock compensation.

#### **Compensation for Officers who have executive duties**

- Compensation shall provide an incentive to improve business performance and shall show a commitment to that in order to sustain growth and increase long-term corporate value.
- Compensation shall be sufficient to attract and retain qualified persons both from within the Company and from outside.
- Compensation shall be commensurate with period performance so that they can demonstrate their management capabilities to the fullest during their tenure.
- Compensation shall show a clear connection between officer compensation and share price and shall strengthen the awareness that their interests are aligned with those of shareholders.
- Compensation shall have a built-in mechanism to control misconduct.
- The process for determining compensation shall be highly transparent, objective, and fair

#### **Compensation for Officers who do not have executive duties**

- The composition of compensation shall guarantee independence so that these Officers can suitably demonstrate their general management supervisory function, etc.
- Compensation shall be sufficient to attract and retain qualified persons both from within the Company and from outside.

#### (2) Decision-making policies on base compensation for individual Directors who are not Audit & Supervisory Committee members

##### **Base compensation**

Base compensation is fixed monetary compensation that is determined in accordance with the individual's position and the size of his or her role and assigned duties. It is paid monthly during their tenure. Base compensation may be raised or lowered by the Board of Directors if warranted by Company performance or for other reasons.

#### (3) Decision-making policies on performance-linked compensation for Directors who are not Audit & Supervisory Committee members

##### **Bonuses**

Bonuses are performance-linked monetary compensation paid once a year to Officers who have executive duties, the amounts varying depending on achievement with respect to single-year performance indicators and individual objectives.

#### **Details of performance indicators and reasons for selection thereof**

In consideration of the nature of bonuses as a short-term incentive, annual Group ROE is used as a performance indicator, with factors such as achievement with respect to individual objectives taken into account.

#### **Calculation method**

The basic bonus amount is an amount obtained by multiplying the annual total compensation calculated

based on position, duties, and so forth by the bonus ratio (25% to 30%) for each position, and the bonus payment amount is calculated by multiplying the basic bonus amount by a coefficient (0% to 200%) according to the achievement with respect to index values such as company-wide ROE targets and a coefficient ( $\pm 40\%$ ) according to the level of achievement with respect to individual objectives.

### **Results of performance indicators**

Details are as stated in the notice of the 80th Ordinary General Meeting of Shareholders ([https://corporate.epson/en/investors/information/pdf/notice\\_220527.pdf](https://corporate.epson/en/investors/information/pdf/notice_220527.pdf)), in “1.9 Status of assets and income (loss)”.

### **Performance-linked stock compensation (officer compensation BIP trust)**

Details are as stated in “(4) Decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee members.” No additional contribution will be made to the officer compensation BIP in the future, and the intent is for the plan to terminate upon the completion of the delivery and payment pertaining to the points already granted of the Company’s common shares and the cash equivalent to an amount obtained through the conversion of the Company’s common shares into cash.

- (4) Decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee members

### **Restricted stock compensation**

The Company introduced restricted stock compensation in place of performance-linked stock compensation (officer compensation BIP trust) at the Ordinary General Meeting of Shareholders of June 28, 2022.

Restricted stock compensation is stock-based compensation that is designed to further share value with shareholders and provide greater incentive than before to increase the share price, sustain growth, and increase long-term corporate value. It is paid once a year to directors who have executive duties.

Pursuant to the resolution of the Board of Directors, the Company will pay monetary compensation claims up to the annual amount of 200 million yen as compensation, etc., for restricted stock. In turn, eligible Directors will pay all monetary compensation claims provided by the Company as in-kind contributions and will receive an allotment of restricted stock. The aforesaid monetary compensation claims will be paid on condition that eligible Directors have agreed to the aforesaid in-kind contributions and have concluded a restricted stock allotment agreement.

The total number of restricted stock shares to be allotted to eligible Directors will not exceed 200,000 shares annually.

Restricted stock allotment agreements shall include provisions on the content below.

- (i) Nature of restrictions on transfer

Eligible Directors shall not transfer, pledge, grant security interests, gift during their lifetime, or bequeath, to any third party, or otherwise dispose of restricted stock (hereafter “Allotted Stock”) during the period from the date of allotment to the date on which they resign or retire from their position as either a Director, Executive Officer, or employee of the Company.

- (ii) Gratis acquisition of restricted stock

If an eligible Director resigns or retires from his or her position as a Director, Executive Officer or employee of the Company before the end of the period, the Company will rightfully acquire the Allotted Stock without compensation, unless there are extenuating circumstances that the Company’s Board of Directors deem reasonable.

- (iii) Lifting of the transfer restrictions

The Company will lift transfer restrictions for all Allotted Stock upon the expiration of the transfer restriction period, provided that the eligible Director holds the position of Director, Executive Officer or employee of the Company continuously from the date the transfer restriction period starts to the date of the first Ordinary General Meeting of Shareholders thereafter.

- (iv) Malus and clawback provisions

The Company will establish provisions to acquire without contribution some or all of the Allotted Stock granted to eligible Directors or common shares of the Company for which transfer restrictions

have been lifted, or to be paid an amount equivalent to the value of the Allotted Stock or common shares of the Company for which transfer restrictions have been lifted, in cases in which the Board of Directors recognizes that eligible Directors have violated laws, regulations, or internal rules, etc. in any material respect during the transfer restriction period or after the lifting of the transfer restrictions, and when certain circumstances determined by the Board of Directors have occurred, including serious accounting irregularities or large losses, etc.

(v) Treatment in organizational restructuring, etc.

If, during the transfer restriction period, matters concerning organizational restructuring, etc., of the Company are approved at an Ordinary General Meeting of Shareholders, the Company will, by resolution of the Board of Directors, lift the transfer restrictions prior to the effective date of the organizational restructuring, etc., for the number of Allotted Stock that is reasonably determined based on the period from the date the transfer restriction period starts to the date the organizational restructuring, etc., is approved.

\* The Company plans to also allocate restricted stock like the restricted stock described above to Executive Officers who are not Directors of the Company.

### **Details of performance indicators and reasons for selection thereof**

To share the benefits and risks of changes in stock price with general shareholders and to provide eligible Directors with a greater incentive to increase the stock price, sustain growth, and increase long-term corporate value, the Company uses achievement with respect to indicators such as Group ROIC and sustainability targets as indicators.

### **Calculation method**

The base amount of compensation is obtained by multiplying the annual total compensation calculated based on the position, duties, and so forth of each Director by a coefficient (80% to 120% for all) based on achievement with respect to indicators such as stock compensation depending on position (20% to 25%), Group ROIC, and sustainability targets. The base amount of compensation is then divided by the price per share of transfer restricted shares set by the Board of Directors to find the number of Allotted Stock for the period.

The amount of monetary compensation claims to be paid to each Director as compensation, etc., for transfer restricted stock shall be calculated by multiplying the number of shares of Allotted Stock by the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the date of the resolution of the Board of Directors relating to the issuance or disposal of Allotted Shares.

### **Results of performance indicators**

Pursuant to the resolution of the Board of Directors, the performance coefficient of the old performance-linked stock compensation (officer compensation BIP trust) system will be used as the coefficient for restricted stock compensation to be granted in 2022, the first year of the plan.

### **Performance-linked stock compensation (officer compensation BIP trust)**

No additional contribution will be made to the officer compensation BIP in the future, and the intent is for the plan to terminate upon the completion of the delivery and payment pertaining to the points already granted of the Company's common shares and the cash equivalent to an amount obtained through the conversion of the Company's common shares into cash.

This is a stock compensation system for officers with executive duties wherein Company shares are delivered using a trust scheme. Under this system, the Company contributes up to 500 million yen in total for each target period, which covers a period of three consecutive fiscal years, to the trust as compensation for officers eligible for this system. During each target period, the trust uses the entrusted money to acquire up to 300,000 shares (in the event of a share split, share consolidation, etc., the said maximum number of shares will fluctuate in proportion to the ratio of split or consolidation) of the Company's ordinary shares from the stock market or the Company (disposal of treasury shares).

Every July during the trust period, basic points are granted based on positions and other factors. The number of points will fluctuate by multiplying the basic points by a performance-based coefficient

determined based on the level of achievement with respect to the Company's medium- to long-term performance targets. (The maximum number of total points per year is 100,000 points, and one point is equivalent to one share.) In principle, after the elapse of three years from the date basic points are granted, approximately 50% of the Company's ordinary shares equivalent to the number of points after multiplying the performance-based coefficient determined based on the level of achievement with respect to the Company's medium-term performance targets, which include business profit, ROS, and ROE, are delivered from the trust, and the remainder is paid as money equivalent to the cash value of the Company's ordinary shares for the purpose of appropriating it as funds to pay withholding taxes and other taxes.

The plan is designed such that the ratio of stock compensation to base compensation ranges between 10% and 22% depending on position, while the number of shares issued depends on the level of achievement with respect to financial indicators during a target period (three years).

Under the stock compensation system, mechanisms (malus and clawback clauses) have been established with which the Company may cause officers to forfeit the right to receive delivery of shares and demand a refund of the amount equivalent to the shares already delivered by the Company in the event of violations of laws and regulations, internal regulations, etc. by officers.

### **Details of performance indicators and reasons for selection thereof**

The Company has selected quantitative evaluations (business profit, ROS, ROE, cash flows from operating activities) as well as qualitative evaluations as indicators so that performance-linked compensation based on performance indicators can provide appropriate incentives to Directors and to show a commitment to promoting sustainable growth and increasing medium to long-term corporate value.

### **Calculation method**

Details are as stated in the convocation notice of the 80th Ordinary General Meeting of Shareholders ([https://corporate.epson/en/investors/information/pdf/notice\\_220527.pdf](https://corporate.epson/en/investors/information/pdf/notice_220527.pdf)) in Business Report "4.4 Compensation to Directors (2) Decision-making policies on base compensation for individual Directors who are not Audit & Supervisory Committee members (4) Decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee members [Calculation method]" (page 51).

#### **(5) Decision-making policies on the ratio of compensation for individual Directors who are not Audit & Supervisory Committee members**

The policies on deciding the ratio of compensation by category for Directors who are not Audit & Supervisory Committee members (excluding the Outside Directors and Chairman without the right of representation) are as follows. The annual total compensation is used as the basis for calculating bonuses and stock compensation. Bonuses are calculated by multiplying the basic bonus amount, which is 25% to 35% of the annual total compensation, by a coefficient according to the achievement performance indicators, etc. Stock compensation is calculated by multiplying the annual total compensation by 20% to 25%, which is the stock compensation ratio, and then multiplying the result by a coefficient according to the achievement with respect to Group ROIC and sustainability targets. The percentage of bonuses and stock compensation increases commensurate with position. For the 2021 fiscal year, the composition of the total compensation for Directors who are not Audit & Supervisory Committee members (excluding the Outside Directors and Chairman without the right of representation) was approximately 66% in base compensation, 23% in bonuses, and approximately 11% in stock compensation.

#### **(6) Matters regarding delegation of decisions on compensation for individual Directors who are not Audit & Supervisory Committee members**

As for the determination of the amount of compensation for this fiscal year, President and Representative Director Yasunori Ogawa has been vested with full discretionary authority by the Board of Directors for decisions on compensation for Directors who are not Audit & Supervisory Committee members because he is in a position that gives him a full view of the performance of the entire



Company. To ensure the proper exercise of this authority, Mr. Ogawa decided the amount of this compensation on the basis of information that was deliberated and approved by the Director Compensation Committee, which is chaired by an Outside Director and composed of a majority of Outside Directors.

To ensure that compensation is impartially examined through a transparent and objective process, the Director Compensation Committee, which is composed of six people, including all of the Outside Directors (Hideaki Omiya as chairperson and Mari Matsunaga, Yoshio Shirai, Susumu Murakoshi, and Michiko Ohtsuka as members) and President and Representative Director Yasunori Ogawa, has been given full discretionary authority, by resolution of the Board of Directors, to decide the amount of compensation from April 2022. To ensure the proper exercise of this authority, the majority of the members of the Director Compensation Committee are Outside Directors and the chairperson is elected by the members from among the Outside Directors.

(7) Other important matters regarding decisions on the details of compensation for individual Directors who are not Audit & Supervisory Committee members

The Company has established within restricted stock compensation malus and clawback provisions under which it can acquire without contribution some or all of the Allotted Stock allotted to eligible Directors or common shares of the Company for which transfer restrictions have been lifted, or to be paid an amount equivalent to the value of the Allotted Stock or common shares of the Company for which transfer restrictions have been lifted, in cases in which the Board of Directors recognizes that eligible Directors have violated laws, regulations, or internal rules, etc. in any material respect, and when certain circumstances determined by the Board of Directors have occurred, including serious accounting irregularities or large losses, etc.

Reasons the Board of Directors has determined that the details of compensation for individual Directors who are not Audit & Supervisory Committee members for the fiscal year under review comply with the decision-making policies

The Board of Directors has confirmed the following points and determined that the compensation for Directors who are not Audit & Supervisory Committee members for the fiscal year under review complies with the policies.

- Compensation was determined following fair, transparent, and rigorous reporting at a meeting of the Director Compensation Committee, which is chaired by an Outside Director and is composed of a majority of Outside Directors.
- The Audit & Supervisory Committee shared and discussed the details that were discussed by the Director Compensation Committee and reported that there were no items to be stated at the General Meeting of Shareholders.

**(2) Decision-making policies, etc. on compensation for individual Directors who are Audit & Supervisory Committee members**

The Company has established its decision-making policies on compensation for individual Directors who are Audit & Supervisory Committee members.

Method of determining the decision-making policies

Decision-making policies are determined by the Audit & Supervisory Committee.

Outline of contents of the decision-making policies

The Company's compensation for individual Directors who are Audit & Supervisory Committee members shall be decided by taking into consideration factors such as whether he or she is Full-Time, how the audit work has been divided, and the details and levels of compensation for Directors who are not Audit & Supervisory Committee members.

Given their role in monitoring management as a whole from a position that is independent from the execution of business affairs, the Company pays only base compensation to Directors who are Audit & Supervisory Committee members. The basic stance for such base compensation is as stated in "Compensation for Officers who do not have executive duties", and it is determined by the Board of

Directors upon deliberation by the Director Compensation Committee, which is chaired by an Outside Director and is composed of a majority of Outside Directors.

### **(3) Resolutions by the General Meeting of Shareholders on compensation for Directors**

#### **Base compensation**

Upon the resolution at the Ordinary General Meeting of Shareholders of June 28, 2016, the maximum base compensation was set at 62 million yen per month for Directors who are not Audit & Supervisory Committee members (including 10 million yen per month for Outside Directors). At the conclusion of the Ordinary General Meeting of Shareholders, the number of Directors who are not Audit & Supervisory Committee members was eight (including two Outside Directors).

In addition, upon the resolution at the Ordinary General Meeting of Shareholders, the maximum base compensation was set at 20 million yen per month for Directors who are Audit & Supervisory Committee members. At the conclusion of the Ordinary General Meeting of Shareholders, the number of Directors who are Audit & Supervisory Committee members was four.

#### **Restricted stock compensation**

By resolution of shareholders at the Ordinary General Meeting of Shareholders of June 28, 2022, the restricted stock compensation of Directors who are not Audit & Supervisory Committee members (excluding individuals who are not directly engaged in the operations of the Company, such as Outside Directors, and individuals residing outside Japan) is separate from the aforesaid Director compensation (base compensation) and performance-linked stock compensation (officer compensation BIP trust), and the total amount of monetary compensation claims paid as compensation for restricted stock compensation shall not exceed 200 million yen a year. At the conclusion of the Ordinary General Meeting of Shareholders, there were three Directors who are not Audit & Supervisory Committee members.

#### **Performance-linked stock compensation (officer compensation BIP trust)**

By resolution at the Ordinary General Meeting of Shareholders of June 28, 2016, the maximum amount of performance-linked stock compensation for Directors who are not Audit & Supervisory Committee members (excluding those who are independent from business execution, such as Outside Directors, as well as those residing overseas) was set at 500 million yen in total over a period of three fiscal years, with the maximum number of total points to be granted per year set at 100,000 points (one point is equivalent to one share in the Company). Upon the resolution at the Board of Directors meeting held on May 16, 2019, these standards have been continued. At the conclusion of the Ordinary General Meeting of Shareholders, there were six Directors who are not Audit & Supervisory Committee members.

No additional contribution will be made to the officer compensation BIP in the future, and the intent is for the plan to terminate upon the completion of the delivery and payment pertaining to the points already granted of the Company's common shares and the cash equivalent to an amount obtained through the conversion of the Company's common shares into cash.

### **Supporting System for Outside Directors**

The Company has set up a department to serve as the administrative office for the Board of Directors and to provide the necessary support to the Outside Directors, including but not limited to providing supplementary explanations about motions to be submitted to the Board of Directors. The department that is responsible for the administration of the Board of Directors distributes materials concerning matters to be deliberated by the Board of Directors to all Directors, including Outside Directors, sufficiently in advance of meetings. The department also sets the schedule for the next fiscal year's regular meetings of the Board of Directors by the end of each fiscal year and provides the schedule to all Directors, including Outside Directors.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)**

### **Matters relating to the execution of business affairs**

The Board of Directors is composed of 10 Directors, including five Outside Directors. Meetings of the Board of Directors are, as a rule, held once per month and as needed. Meetings were held 13 times in

fiscal 2021. The attendance rate was 100% for all Directors except for Taro Shigemoto, who attended 87.5% of meetings. Meetings of the Board of Directors are chaired by the Chairperson of the Board (who is a Non-Executive Director) per the Board of Directors Regulation.

The Board of Directors makes decisions on basic business policies, important business affairs, and other matters that the Board of Directors is responsible for deciding as provided for in internal regulations. Business affairs that the Board of Directors is not responsible for deciding are delegated to executive management, and the Board monitors these. Under the company with an Audit & Supervisory Committee structure, the scope of business affairs delegated by the Board of Directors to executive management, such as making decisions on investment projects that are less than a certain fixed amount of money, has been expanded. As such, matters discussed by the Board of Directors are limited to motions of the highest importance (e.g., governance, capital policy, compliance, risk management, deliberations on megatrends and mid- to long-term strategies), thereby speeding up business decision-making and increasing the agility of business. The Company has specified in Article 18 in the Corporate Governance Policy that at least one-third of the members of the Board of Directors shall be Outside Directors.

\* Mr. Shigemoto resigned and stepped down as Director and Executive Officer effective January 31, 2022.

Management meeting bodies have been established for executing operations. Among them is the Corporate Strategy Council, which usually meets about once a week to allow Directors, Executive Officers, and Special Audit & Supervisory Officers to exhaustively discuss important business themes that affect the entire Epson Group and matters brought up before the Board of Directors. Outside Directors can attend meetings of any of these bodies, but even if they cannot attend, they are provided with materials for discussion and supplementary explanations of the content of discussions. The Company strives to ensure the fairness and transparency of the execution of business affairs through the attendance of a Director who is a Full-Time Audit & Supervisory Committee member.

#### **Matters subject to audit and supervision**

The Audit & Supervisory Committee is composed of four Directors, including three Outside Directors. Masayuki Kawana was selected to serve as a Full-Time Audit & Supervisory Committee member to help ensure that the Audit & Supervisory Committee works effectively, as it was concluded that it would be necessary for someone to prepare an environment to facilitate audits, attend important internal meetings to smoothly collect internal information, work closely with groups such as the internal audit department, and monitor the internal control system.

Audit & Supervisory Committee members can attend meetings of the Corporate Strategy Council and other important meetings as part of their efforts to properly monitor business affairs. They examine the legality and suitability of actions taken by the Directors by checking and confirming compliance and by supervising and verifying things such as the state of the internal control system, including internal control over financial reporting. When deemed necessary, they can call upon the internal audit department to conduct an inquiry and can give specific instructions regarding the execution of those duties. Through these, we ensure the effectiveness of systematic audits by the Audit & Supervisory Committee.

The Company has been evaluating the effectiveness of the Audit and Supervisory Committee since April 2017 in order to improve and stabilize the operation of the Audit and Supervisory Committee. It is standard practice for the Audit and Supervisory Committee to share the findings of effectiveness evaluations with the Board of Directors. In the 2021 fiscal year, the evaluation results, which showed that the Audit & Supervisory Committee is operating effectively, were shared with the Board of Directors, and recommendations were made on issues found in the effectiveness evaluation regarding improvements to the Company's internal controls and governance system.

Audit & Supervisory Committee member Michiko Ohtsuka is a certified public accountant and has an appreciable degree of knowledge and insight into finance and accounting.

#### **Matters relating to nomination and compensation decisions, etc.**

Please see the supplementary explanation under "Advisory bodies" in II 1.

#### **Names of certified public accountants and consecutive audit years**

The names of certified public accountants who executed financial audits during the period (the fiscal yearended March 31, 2022) and the names of the audit firm to which they belong are as follows:

Makoto Usui, Designated and Engagement Partner, (Ernst & Young Japan) 3 years

Yoshiyuki Sakuma, Designated and Engagement Partner, (Ernst & Young Japan) 6 years

Ryuichi Minami, Designated and Engagement Partner, (Ernst & Young Japan) 2 years

### **Matters concerning limited liability agreements**

The Company has executed agreements with Non-Executive Directors Hideaki Omiya, Mari Matsunaga, Masayuki Kawana, Yoshio Shirai, Susumu Murakoshi, and Michiko Ohtsuka that limit their liability for damages under Article 423 (1), pursuant to the provisions of Article 427 (1) of the Companies Act. The maximum amount of liability for damages under these agreements is limited to the amount provided for by laws and regulations. The liability of the Non-Executive Directors shall be limited only if they have acted in good faith and without gross negligence in performing their duties.

### **3. Reasons for Adoption of Current Corporate Governance System**

Seiko Epson is structured as a company with an Audit & Supervisory Committee. It has a Board of Directors, an Audit & Supervisory Committee, and financial auditors. It has also voluntarily established a discretionary deliberative body for matters such as Director nomination and compensation.

This governance system was adopted to further increase the effectiveness of corporate governance by strengthening supervision over management and by enabling the Board of Directors to devote more time to discussions while speeding up decision-making by management.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	As a general rule, shareholders are notified by mail of the date of General Meeting of Shareholders at least three weeks before the date. Convocation notices for the Ordinary General Meeting of Shareholders (held on June 28, 2022) for the period (the fiscal year ended March 31, 2022) were mailed on June 2, 2022. On May 27, 2022, prior to the mailing of the convocation notices, the Company posted a convocation notice on the Corporate website.
Scheduling AGMs Avoiding the Peak Day	The Company avoids holding the Ordinary General Meeting of Shareholders on the peak day so that as many shareholders as possible can attend.
Allowing Electronic Exercise of Voting Rights	In addition to exercising their voting rights by mailing in a form, shareholders can exercise their voting rights electronically.
Participation in Electronic Voting Platform	The Company posts convocation notices on its website, provides convocation notices in English, and uses visuals to report its operations at General Meeting of Shareholders. The Company participates in the electronic voting platform for institutional investors that is run by ICJ.
Providing Convocation Notice in English	Convocation notices are provided in English in their entirety on the Company's website and on the ICJ platform.
Others	The Company, prioritizing the health of shareholders foremost, has asked shareholders to refrain from attending the 78th Ordinary General Meetings of Shareholders (since 2020) due to COVID-19. Moreover, a video of the meeting was streamed over the Internet so that shareholders could see and listen to the proceedings. In addition, the Company has been accepting shareholder opinions and questions online in advance since 79th Ordinary General Meeting of Shareholders (since 2021) and the Company revitalized the general meeting of shareholders.

#### 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has established a Policy on Information Disclosure and Dialog (Disclosure Policy) for engaging in honest dialogue with stakeholders, in keeping with the Principles of Corporate Behavior and the Corporate Governance Policy, both of which were established to realize the Management Philosophy. The Policy is posted on our website. ( <a href="https://corporate.epson/en/investors/management-policy/disclosure-policy.html">https://corporate.epson/en/investors/management-policy/disclosure-policy.html</a> )
Regular Investor Briefings for Analysts and Institutional Investors	In addition to full-year and quarterly financial results announcements, the Company holds briefings for analysts when it announces its mid-range business plans, etc.

Posting of IR Materials on Website	The Company posts investor relations information on its website ( <a href="https://corporate.epson/en/investors/">https://corporate.epson/en/investors/</a> ), including messages from the President, financial data, the IR schedule, financial materials (consolidated results and supplementary information, financial results announcement presentations, summaries of questions and answers at the time of financial results announcements, etc.), annual reports, securities reports, integrated reports, shareholder notices, Ordinary General Meeting of Shareholders convocation notices and notices of resolutions, CSR activities, news releases, etc.
Establishment of Department and/or Manager in Charge of IR	The Company's PR & IR Department is in charge of investor relations. In addition to handling full-year and quarterly financial results announcements, the PR & IR Department handles day-to-day communications with analysts and institutional investors. It also regularly shares feedback from capital markets with the management team.

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	With the aim of maintaining the trust of all stakeholders, including customers, shareholders, investors, suppliers, governments, local citizens, NGOs, NPOs, and employees, Epson established "Principles of Corporate Behavior" and the "Epson Code of Conduct" based on an idea that underlies the Company's management philosophy: building trust through socially responsible action.
Implementation of Environmental Activities, CSR Activities etc.	The Seiko Epson website provides appropriate information about our activities and the like. In addition, we prepare an annual Sustainability Report and Integrated Report, which are publicly released on our website. Seiko Epson established the Sustainability Promotion Office as an organization that reports directly to the president. The executive officer who was appointed to head the office has the responsibility and authority for sustainability activities across the entire Epson Group, including Seiko Epson. In addition, the Sustainability Strategy Council serves as an advisory body to the president. It reviews social trends, formulates medium- to long-term strategies for sustainability for the entire Epson Group, reviews the actions taken, and discusses initiatives for addressing important issues. In fiscal 2022, based on research, information disclosures, external ratings, and stakeholder dialogue, the Sustainability Strategy Council has been discussing topics such as sustainability transformation (SX), the building of a PDCA management cycle, and setting key performance indicators for sustainability and monitoring progress on them to bring the company forward toward the goal of achieving sustainability and enriching communities. For details, see our "Sustainability" website. ( <a href="https://corporate.epson/en/sustainability/">https://corporate.epson/en/sustainability/</a> )
Development of Policies on Information Provision to Stakeholders	Epson is committed to transparency and proactively releases information, including negative information, to its stakeholders. To ensure fair disclosure, the Company posts financial results data, etc., on its website in a timely manner.

Others	<p><b>Health and Productivity Management Initiatives</b></p> <p>The Company considers the health of its employees to be the top priority in terms of health and productivity management. Accordingly, we want to see employee health improve and to create a positive, energetic workplace that is conducive to job satisfaction in line with the Management Philosophy and Basic Occupational Health and Safety Policy. We believe this will ultimately result in better financial performance and higher corporate value.</p> <p>Epson established a Health Management Office to drive health and productivity management initiatives under the president, who is responsible for health and productivity management. The office director participates in Corporate Management Meeting as an executive officer, serves as the General Administrative Manager of the Human Resources Division, the chair of the Health Insurance Association, and overall health and safety controller, and is responsible for the general management of health and productivity. A Health and Productivity Management Committee, which is jointly run by the Company and the health insurance association, shoulders responsibility for health and productivity-related information analysis, measures and policies, as well as health evaluations and improvements. The Health and Productivity Management Committee regularly meets to coordinate activities of the health promotion committees at the various plants and offices. Health promotion committees are chaired by the general managers of the General Affairs Departments at Epson plants and offices. An officer of the labor union serves as the vice-chair. An occupational physician and a public health nurse serve in an advisory capacity. Seiko Epson was recognized for these activities and selected as a Health &amp; Productivity Management Stock for the first time in 2022.</p>
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## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

The Company's Board of Directors passed a resolution on a basic internal control system policy (a system for ensuring that business is conducted suitably by the corporate group) and the Company has provided an improved internal control system based on this resolution.

[Basic Internal Control System Policy]

Seiko Epson Corporation ("Epson" or "the Company") considers its Management Philosophy to be its most important management concept, and to realize it Epson has established "Principles of Corporate Behavior," a code of conduct that is shared across the Group, including at subsidiaries. The Company shall establish the following basic policy regarding the internal control system (a system for ensuring that business is conducted suitably by the corporate group) and provide an improved internal control system for the Epson Group as a whole.

#### 1. Compliance

- (1) The Company has established "Principles of Corporate Behavior" as a guide for putting the Management Philosophy into practice. The Company shall also establish regulations that spell out things such as basic compliance requirements and the organizational framework.
- (2) The Company shall also create a Compliance Committee to serve as an advisory body to the Board of Directors. The Compliance Committee shall be chaired by a Full-Time Audit & Supervisory Committee member and shall be made up as members of the Outside Directors and Audit & Supervisory Committee members. The Compliance Committee will meet to hear and discuss important matters concerning the Company's compliance program. It will report its findings and offers opinions to the Board of Directors. Financial Auditors and the head of the internal audit administrative department shall be able to attend meetings of the Compliance Committee as observers.
- (3) A Chief Compliance Officer ("CCO") shall be chosen to oversee and monitor the execution of all compliance operations. The CCO shall periodically report the state of compliance affairs to the Compliance Committee.
- (4) Compliance promotion and enforcement shall be supervised by the President of the Company. Group-wide compliance programs shall be carried out by Head Office supervisory departments with the cooperation of departments in the various operations divisions and subsidiaries. Compliance programs of the divisions and their related subsidiaries shall be promoted by the respective Chief Operating Officers of the divisions.  
A compliance control department shall help to ensure the completeness and effectiveness of compliance programs by monitoring compliance across the Epson Group and by taking corrective action or making adjustments where needed.
- (5) The Corporate Strategy Council, an advisory body to the President comprised of the Directors and others, addresses important matters with respect to compliance promotion and enforcement of the Epson Group as a whole, including subsidiaries. The Council strives to ensure the effectiveness of compliance by exhaustively discussing and analyzing the state of programs for assuring observance of statutes, internal regulations, business ethics and initiatives in key areas.
- (6) The Company, including its subsidiaries, shall strive to provide an effective whistleblowing system. Employees shall be encouraged and shall be able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls shall be in place to protect whistleblowers from reprisal, and allegations shall be reported to the Board of Directors, the Audit & Supervisory Committee, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.
- (7) The Company shall strive to enhance compliance consciousness by providing Epson Group employees with web-based training and other educational opportunities.
- (8) The President of the Company shall periodically report important compliance-related matters to the Board of Directors and shall take measures as needed to respond to issues.



(9) "Principles of Corporate Behavior" shall state that the Company shall have no association whatsoever with organized crime. The Company shall take a firm stance in rejecting any and all contact with organized crime that threatens social order and security.

## 2. System for Ensuring Proper Financial Reporting

(1) The creation of proper financial reports is recognized as a critical issue. The Company shall build, on the orders of the president, a system that enables internal control over financial reporting to be properly arranged, implemented, and evaluated. The financial reports will not be limited in scope to evaluations and reporting required by the Financial Instruments and Exchange Act but will also include reporting over the scope deemed necessary by management.

(2) A basic regulation and other regulations and standards pertaining to internal control over financial reporting shall be created, and their observance shall be obligatory across the entire Epson Group.

(3) Continuously evaluate whether the internal controls that have been put in place for financial reporting are effectively and properly functioning, and take corrective action where needed.

## 3. Business execution system

(1) The Company shall formulate long-term vision statements and mid-range business plans, and it shall set clear mid-to long-term goals for the Epson Group as a whole.

(2) The Company shall institute a system that shall ensure the appropriate and efficient execution of business. To that end, the Company shall establish regulations governing organization management, job authorities, the division of responsibilities, and the management of affiliated companies, thus distributing power and authority across the entire Group.

(3) Personnel responsible for business operations shall report the matters below to the Board of Directors at least once every three months.

1) Current business performance and performance outlook

2) Risk management responses

3) Status of key business operations

## 4. Risk management

(1) The Company shall establish a basic risk management regulation that stipulates the risk management system of the Company, including its subsidiaries, and that defines the organization, risk management methods and procedures, and other basic elements of this system.

(2) Overall responsibility for risk management in the Epson Group, including subsidiaries, shall belong to the President of the Company. Group-wide risk management shall be carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business shall be managed by the Chief Operating Officer of that business, including at subsidiaries consolidated under them. The Company shall also set up a risk management control department, monitor overall risk management Group-wide, make corrections and adjustments thereto, and ensure the effectiveness of risk management programs.

(3) The Corporate Strategy Council shall strive to ensure effective management of serious risks that could have an egregious effect on the Company by dynamically and exhaustively discussing and analyzing action to identify and control risks. Also, when major risks become apparent, the President shall lead the entire company in mounting a swift initial response in line with the Company's prescribed crisis management program.

(4) The President of the Company shall periodically report to the Board of Directors on critical risk management issues and formulate appropriate measures to respond to these issues.

## 5. Ensuring the appropriateness of operations in the corporate group

(1) The Group's management structure shall help to ensure that operations in the corporate group, including subsidiaries, are conducted appropriately. Essentially, the Company shall be organized into product-based divisions. Each division shall be headed by a Chief Operating Officer who owns global consolidated responsibility for that business. Meanwhile, supervisory functions within the Head Office shall own global responsibility. Responsibility for providing the framework for business operations at

subsidiaries shall be owned by the head of each business. Group-wide corporate functions shall be the responsibility of the heads of Head Office supervisory departments.

- (2) The Company shall have business processes that enable business to be controlled on a Group level. This shall be accomplished by internal regulations that require subsidiaries to report or acquire pre-approval for certain business operations from the parent company, Epson, and by requiring issues that meet certain criteria to be submitted to Epson's Board of Directors for resolution. In certain regions, moreover, the Company shall seek to ensure the suitability and efficiency of Group-wide business operations by establishing a company that acts as a regional head office that supervises subsidiaries.
- (3) Based on the basic regulation for Internal Audits, the internal audit departments shall serve as monitoring organizations that are independent from the management and supervisory functions of the operations divisions and the Head Office. The internal audit departments shall audit internal controls and the state of operations in all Epson Group companies, including subsidiaries. The findings of the internal audit departments shall be presented to the head of the audited organization along with requests for corrective action. This information shall also be regularly reported to the President of the Company and to the Audit & Supervisory Committee. In this way, Epson shall strive to optimize operations across the entire Group.

#### 6. Safeguarding and management of information on performance of duties

- (1) Information on the performance of duties shall be safeguarded and managed in accordance with regulations governing, among other things, document control, management approval, and contracts. All Directors shall be able to access this information at all times.
- (2) The Company shall strive to prevent the leak and loss of Epson Group internal information by managing confidential information according to the level of sensitivity, in accordance with the Epson Group basic information security regulation.

#### 7. Audit system

- (1) The Audit & Supervisory Committee can interview Directors who are not Audit & Supervisory Committee members, Executive Officers, and other personnel whenever they deem necessary in the performance of duties based on the Audit & Supervisory Committee audit regulation.
- (2) Audit & Supervisory Committee members can attend Corporate Strategy Council sessions, Corporate Management Meetings, and other important business meetings that shall enable them to conduct audits based on the same information as that available to Directors who are not Audit & Supervisory Committee members. Audit & Supervisory Committee shall also routinely review important documents related to management decision-making.
- (3) An Audit & Supervisory Committee Office shall be set up to assist the duties of the Audit & Supervisory Committee. The head of the Audit & Supervisory Committee Office shall serve as a Special Audit & Supervisory Officer and shall assign full-time personnel to the Audit & Supervisory Committee Office. The head and personnel of the Audit & Supervisory Committee Office shall discharge their duties to assist the Audit & Supervisory Committee, obeying the orders of the Audit & Supervisory Committee alone and not orders from Directors who are not Audit & Supervisory Committee members. Matters relating to the personnel of the office must be approved in advance by the Audit & Supervisory Committee.
- (4) To ensure that audits by the Audit & Supervisory Committee are systematic and effective, a framework shall be created to secure close cooperation between the internal audit department and others and the Audit & Supervisory Committee. Matters relating to the appointment and dismissal of the head of the internal audit administrative department must be approved in advance by the Audit & Supervisory Committee.
- (5) The Audit & Supervisory Committee can ask the Representative Director or the Board of Directors to take corrective action if the Audit & Supervisory Committee recognizes that the structure of the Audit & Supervisory Committee Office and the system of cooperation between the Audit & Supervisory Committee and the internal audit departments and others interfere with the efficacy of audits.
- (6) The Audit & Supervisory Committee shall receive audit reports from the internal audit departments and can issue specific instructions to the internal audit departments as needed. If the instructions issued to the internal audit departments by the Audit & Supervisory Committee and the President are in

- conflict, the instructions of the Audit & Supervisory Committee shall prevail.
- (7) Based on the Audit & Supervisory Committee audit regulation, the Audit & Supervisory Committee can ask Directors who are not Audit & Supervisory Committee members, the compliance control department, and the risk management control department, as well as others to report or explain the state of management within the Epson Group, including subsidiaries. It can also inspect supporting materials. The Audit & Supervisory Committee shall, where necessary, be able to ask subsidiary company Directors, Audit & Supervisory Board members, the internal audit departments, and others to report the state of management within their respective companies. A system shall be put in place to protect reporters from reprisal for having made a report, and the identity of the reporter shall be protected even if the President or a Board member, for example, is asked to make corrections and so forth based on the report.
  - (8) The Audit & Supervisory Committee shall strive to enhance the effectiveness of audits by holding regular discussions with Financial Auditors.
  - (9) The Audit & Supervisory Committee and Representative Director shall regularly meet to enable the committee to directly assess business operations.
  - (10) The expenses required by the Audit & Supervisory Committee members to perform its duties shall be properly budgeted for in advance. However, expenses required to perform the duties of the Audit & Supervisory Committee members in emergency or extraordinary situations shall be promptly paid in advance or refunded on each occasion.

## **2. Basic Views on Eliminating Anti-Social Forces**

### **(1) Basic approach to eliminating antisocial forces**

As stated in item (9) under “Compliance” in the basic internal control system policy, the Company’s policy is to avoid any association whatsoever with organized crime and to take a firm stance in rejecting any and all contact with criminal organizations that threaten social order and security.

### **(2) Preparations for eliminating antisocial forces**

The Company’s views on eliminating antisocial forces are expressed as a unified commitment of the Epson Group in Principles of Corporate Behavior. Things that Epson personnel must endeavor to do and actions they are expected to take are stated in the Epson Group Global Code of Conduct, and these are communicated to personnel through online courses. The Company has built into its business systems a process for preventing transactions with antisocial forces (i.e., criminal and terrorist organizations) when credit investigations and periodic evaluations are conducted for customers and suppliers, and commercial contracts contain provisions regarding the elimination of relationships with antisocial forces. The Company’s crisis management program names the general affairs department as the organization responsible for responding to improper or unjust claims by antisocial forces. This department gathers information from relevant government authorities and so forth and has established strategic actions such as verifying the initial response system and consulting with outside experts, including public institutions.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

Article 7 of the Company's Corporate Governance Policy stipulates the following:

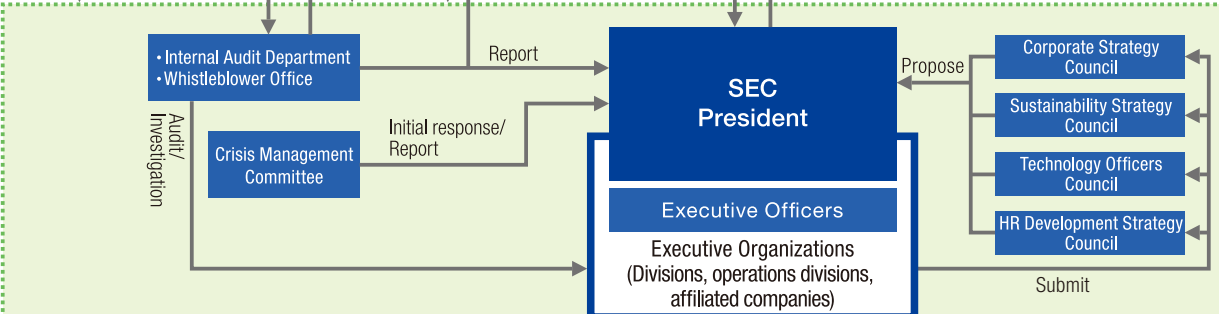
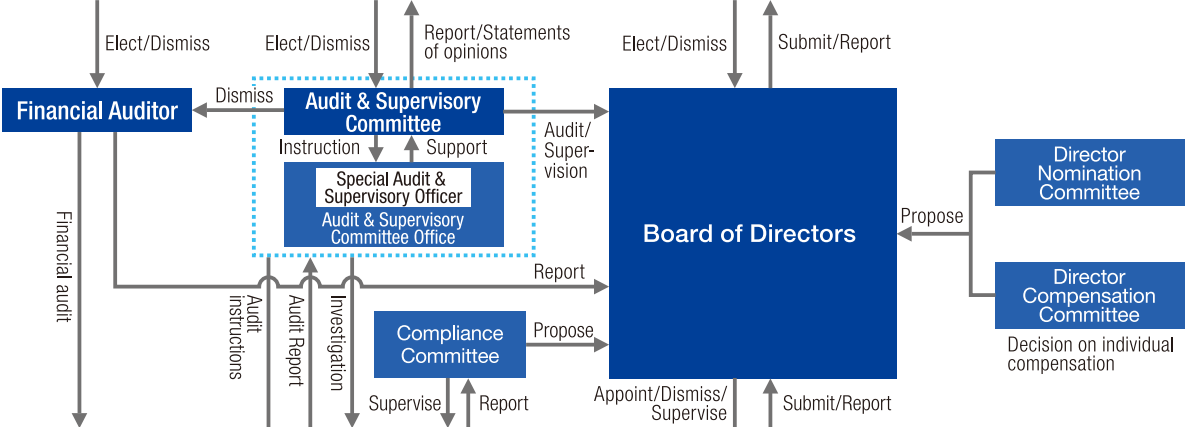
1. Whether to accept a bid to purchase a number of shares that would give the acquirer control over the Company's financial and business policies ("large-scale acquisition" hereafter) should ultimately be decided by the shareholders.
2. Epson shall ask persons who attempt to make large-scale acquisitions of Company shares to provide a sufficient amount of the information needed to determine the desirability of the large-scale acquisition from the perspective of ensuring and enhancing corporate value and the common interests of shareholders, after which Epson shall disclose the opinions of the Company's Board of Directors regarding the proposed large-scale acquisition, thereby doing its due diligence to provide shareholders with the time and information they need to consider the desirability of the large-scale acquisition. The Company shall also take appropriate actions based on the Financial Instruments and Exchange Act, the Companies Act, and other applicable laws and regulations.

### 2. Other Matters Concerning to Corporate Governance System

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# Corporate Governance System

## General Shareholders' Meeting



### Internal Control Structure

# Schematic Diagram of Seiko Epson's Timely Disclosure System

